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RR RUEHGR
DE RUEHKG #1058/01 3501615
ZNR UUUUU ZZH
R 151615Z DEC 08
FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC 7087
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 001058

SIPDIS
SENSITIVE

STATE FOR WHA/CAR (ACADIEUX) (VDEPIRRO) (WSMITH)
WHA/EPSC (MROONEY) (FCORNEILLE)
EEB/ESC/IEC/EPC (MMcMANUS)
INR/RES (RWARNER)
SANTO DOMINGO FOR FCS AND FAS
TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A
TAGS: [EFIN](#) [ENRG](#) [EAIR](#) [EINV](#) [ECON](#) [ETRD](#) [KCOR](#) [KIPR](#) [IADB](#) [IBRD](#)
IMF, TRSY, XL, JM
SUBJECT: JAMAICA: FINANCE MINISTER ON MULTILATERALS, ECONOMIC
PERFORMANCE

REF: A) KINGSTON 1028
B) KINGSTON 1016
C) KINGSTON 1001

1. (SBU) Ambassador Johnson and econoffs met with Audley Shaw, Minister of Finance and the Public Sector and his Financial Secretary Sharon Crooks on December 12. Shaw highlighted the importance of re-engaging the multi-laterals adding that the Inter-American Development Bank (IDB) was the most receptive and expeditious in its approach to helping the island. He complained that he was promised USD 200 million from the World Bank (WB) but was told he will only receive USD 100 million.

Praise for IADB

2. (SBU) Shaw confirmed that the IDB has already provided USD 200 million in loans and was in the process of providing another USD 300 for liquidity support to commercial banks adding, "the IDB has pulled out all the stops to work with us." He also said the IDB President, Luis Alberto Moreno, will be visiting Jamaica in January to address a Caribbean-wide conference on crime, his second visit in less than a year. He also noted that the top leadership of all the multi-laterals have visited in the last year -- a sign of confidence

3. (SBU) He said the WB also has good intentions and in combination with the Caribbean Development Bank (CDB) has provided almost USD 200 million in loans, bringing the total amount provided by multilaterals to USD 400 million. He lamented that the WB had agreed to provide a further USD 200 million in January, which would have been used to pay down a balloon payment due on a Euro bond due in February.

4. (SBU) However, he said he was informed by Pamela Cox - Deputy Head that they had to reduce figure by 50 percent due to increased demands. Shaw made it clear this was not acceptable since the commitment was made in writing and the country needed the money. He also said the funds were not a problem as the WB was "quite liquid." He served notice he was planning to appeal to WB President Robert Zoellick in writing adding he would be seeking Post's support on this effort. He said he will provide Post with a copy of the letter when it is sent.

IMF Visit

5. (SBU) Regarding the recent visit by Dominique Strauss-Kahn, Managing Director of International Monetary Fund (IMF), Shaw made it clear that, at this point, Jamaica did not need the assistance of

the IMF. However, he said if economic conditions worsen, he stands ready to go to the IMF and access a stand-by facility in the amount of USD 500 million. Shaw said that Strauss-Kahn also said Jamaica did not have the fiscal capacity to provide a fiscal stimulus package at this time. However, Prime Minister Bruce Golding has announced a fiscal stimulus package.

Good Governance Reforms

¶6. (SBU) Shaw said the GOJ is undertaking several efforts to improve good governance and reduce GOJ costs. These include: (A) reform in procurement procedures (amendment to Contractor General's Act); (B) implement tax reforms, several based on a recent assessment conducted by the U.S. Treasury office of Overseas Technical Assistance (OTA); and, (3) rationalize the public sector through attrition, mergers, closure, retrenchment and redeployment. He commented, "These are not conditionalities imposed by outsiders, but self-imposed measures for good governance." He also said his Ministry is working with four policy reform matrices from EU, CDB, IDB and WB that are focused on cross cutting themes to bolster good governance policies.

Current Economic Performance

¶7. (SBU) Regarding current economic performance Shaw said that margin calls are still impacting the foreign exchange market. He said although USD 130 million was still available from the Bank of Jamaica (BOJ) some securities dealers were not tapping into the facility apparently because they did not want the BOJ to get information on their dealings. He said fundamentals especially in the banking system are still sound, with non-performing loans about

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2.7 percent (benchmark is 8-10 percent). (Comment: According to the BOJ, non-performing loans are nearing USD 112.5 million, growing 47.7 percent over last year for the September quarter, partially due to the collapse of several alternative investment schemes earlier in the year (reftels) END COMMENT.

Tourism and Divestiture

¶8. (SBU) Tourism is expected to hold at 5 percent growth this year but could fall by up to 10 percent next year. Remittances remain resilient with a modest increase for the year. Shaw also expects divestment of the former sugar estates to be imminent (reftels). Echoing other comments heard in the Ministry, he said Air Jamaica (AJ) has four serious bidders. New management at the airline has already improved service with delays down by over 50 percent. Also 51 percent of all passengers to Jamaica still fly AJ. The GOJ's goal is to divest but if this is not successful, it will have to be shuttered, a position Shaw said was telegraphed by PM Golding. Shaw did admit the divestiture process could "overshoot the runway a little" and miss the proposed deadline of March 31.

Fiscal Stimulus Announced

¶9. (SBU) Shaw said a new fiscal stimulus would be announced on December 14 by PM Golding (which was subsequently done) to include: (A) Real estate transfer taxes will to be reduced one percent to five percent; (B) Accelerated depreciation for capital equipment can be taken in one year instead of two; (C) Remove double taxation on dividends; (D) General Consumption Tax (GCT) on tourism sector will be reduced from 8 percent to 4.1 percent (NOTE: - GCT is 16.5 percent elsewhere); (E) Access to increased credit by small businesses; and (F) make personal effects will be customs duty free for December.

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